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Message Text

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C O N F I D E N T I A L STATE 016200 TOSEC 010123

NODIS
CHEROKEE

FOL REPEAT OF CAIRO 0830 TO SECSTATE JAN 22

QTE:
C O N F I D E N T I A L CAIRO 0830

NODIS/CHEROKEE

EO 11652: GDS
TAGS: PFOR, EINV, US, IS, EG
SUBJ: LIFTING OF BOYCOTT ON FORD

1. SUMMARY: FOLLOWING SIGNING OF SINAI II,
FAHMY TOLD US THAT HE HOPED TO PERMIT FORD TO
RESUME OPERATIONS IN EGYPT AFTER AGREEMENT WAS FULLY
IMPLEMENTED. TECHNICAL TALKS WERE BEGUN BETWEEN
FORD AND EGYPTIANS ON REOPENING OF FORD OPERATION
AND EGYPTIANS HAVE RECENTLY ASKED FORD PROVIDE BY
END OF JAN ALL DETAILS ON ITS PROPOSAL. IN
ADDITION, ZAIN SADAT, THE PRESIDENT'S HALF BROTHER
HAS OFFERED HIS QUOTE SERVICES UNQUOTE FOR A PRICE.
SINCE HENRY FORD IS REPORTEDLY UNEASY AS TO
WHETHER EGYPTIANS SERIOUS, I SOUNDED OUT FAHMY
TO ASCERTAIN IF TECHNICAL TALKS NOW UNDERWAY HAVE
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HIS APPROVAL. HIS RESPONSE WAS AFFIRMATIVE.

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FAHMY CLAIMED HE HAD SUMMONED AL BOYCOTT COMMISSIONER MAHGHOUB AND LAID DOWN THE LAW. MAHGHOUB HAD AGREED TO LOOK FOR WAY TO LIFT BOYCOTT ON FORD AND QUOTE OHER AMERICAN FIRMS UNQUOTE, BUT SAID HE NEEDED A LITTLE TIME. I HAVE BEEN IN CONTINUOUS TOUCH WITH FORD REPS ON THIS MATTER AND FORD VP FREDERICKS WILL TRANSIT CAIRO LATER THIS MONTH EN ROUTE TO AUSTRALIA WHERE HE WILL MEET HENRY FORD TO GIVE HIM LATEST STATUS REPORT. ZAIN SADAT'S ATTEMPT TO INVOLVE HIMSELF FOR A PRICE, IF IT LEAKS OUT, COULD BE DAMAGING TO POSITIVE IMAGE THE PRESIDENT HAS PROJECTED AND SOME DISCREET WAY WILL HAVE TO BE FOUND TO GET HIM TO LAY OFF. END SUMMARY.

2. YOU WILL RECALL THAT, IMMEDIATELY AFTER FINALIZATION OF SINAI II, I DISCUSSED WITH FAHMY HOW GOE INTENDS TO PROCEED ON LIFTING BOYCOTT AGAINST SELECTED AMERICAN FIRMS. AT THE TIME, FAHMY RESPONDED THAT SUCH ACTION WILL TAKE PLACE AFTER SINAI II IS FULLY IMPLEMENTED AND THAT FORD WILL BE FIRST AMERICAN BENEFICIARY. IN MEANTIME, FORD REPS SHOULD ENGAGE IN TECHNICAL TALKS WITH GAZARIN, CHAIRMAN OF EGYPTIAN AUTOMOBILE COMPANY NASCAR, TO ESTABLISH FRAMEWORK FOR A RESUMED FORD OPERATION. AT APPROPRIATE TIME FAHMY WOULD SEND TO SADAT A PRESIDENTIAL DECREE FOR SIGNATURE ALLOWING FORD TO OPERATE. I HAVE EER SINCE BEEN IN CLOSE TOUCH WITH VISITING AD RESIDENT FORD REPS AND HAVE COUNSELLED THEM ON HOW TO PROCEED. I ALSO DISCUSSED MATTER WITH HENRY FORD DURING YOUR LUNCHEON FOR PRESIDENT SADAT.

3. TECHNICAL TALKS HAVE NOW BEEN UNDERWAY FOR THREE MONTHS. EGYPTIANS HAVE ASKED FORD FOR AN EXPANDED PROPOSAL, BUT SUBSEQUENTLY REQUESTED FORD TO HAVE READY BY END OF JAN ALL THE DETAILS OF ORIGINAL PROPOSAL. THEY INDICATED EXPANDED PROPOSAL CAN BE DISCUSSED LATER.

4. WHEN IN ALEXANDRIA TWO DAYS AGO, RESIDENT FORD
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REP ASKED TO MEET WITH ME. E INDICATED HENRY FORD IS BECOMING IMPATIENT AND WONDERS WHETHER GAZARIN IS IN FACT SPEAKING WITH GOE APPROVAL. ADDITIONAL COMPLICATION IS THAT ZAIN SADAT, THE PRESIDENT'S HALF BROTHER, HAS ENTERED THE PICTURE TO OFFER HIS QUOTE SERVICES UNQUOTE TO ARRANGE THAT FORD BE ALLOWED TO OPERATE HERE. ZAIN HAS INDICATED THAT HE WOULD OF COURSE, EXPECT A PAYOFF. THUS FAR,

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FORD REPS HAVE TRIED TO KEEP ZAIN AT ARMS LENGTH.

5. SINCE I HAD NOT TALKED RECENTLY WITH FAHMY ON SUBJECT, I TOLD FORD REP I WOULD TAKE EARLY OPPORTUNITY TO DO SO. I ALSO ADVISED THAT THEY SHOULD BE CAUTIOUS ABOUT ZAIN SADAT'S OVERTURES. THE POSITIVE IMAGE IN THE US THAT PRESIDENT SADAT HAS CREATED COULD BE SEVERELY DAMAGED IF ZAIN'S EFFORTS TO CUT HIMSELF IN FOR A PRICE WERE TO BECOME PUBLIC KNOWLEDGE. FORD REP IS IN ENTIRE AGREEMENT, BUT IS AT A LOSS HOW TO FEND OFF ZAIN.

6. WHEN MEETING WITH FAHMY YESTERDAY, I ALLUDED TO FORD'S QUERY WHETHER GAZARIN IS SPEAKING WITH GOE AUTHORITY. FAHMY REPLIED IN THE AFFIRMATIVE. HE HAS SPECIFICALLY INSTRUCTED GAZARIN ON HOW TO PROCEED. BARRING UNFORESEEN DEVELOPMENTS, GOE HOPES TO PERMIT FORD TO RESUME OPERATIONS SOME TIME AFTER SINAI II HAS BEEN FULLY IMPLEMENTED. RECALLING HE HAD PREVIOUSLY TOLD ME HE WOULD SUMMON AL BOYCOTT COMMISSIONER MAHGHOUB TO LAY DOWN THE LAW, FAHMY CLAIMED THAT HE HAD DONE SO. HE HAD TOLD MAHGHOUB THAT GOE WANTS ACTION TAKEN TO LIFT THE BOYCOTT ON FORD AND QUOTE VARIOUS OTHER (UNSPECIFIED) AMERICAN FIRMS UNQUOTE. IF MAHGHOUB WAS UNALBE TO DO SO, HE, FAHMY, WOULD ARRANGE THAT HE BE REPLACED. MAHGHOUB, ACCORDING TO FAHMY, HAD DUTIFULLY STATED THAT HE IS AN EGYPTIAN AND WOULD FOLLOW GOE'S ORDERS. HE WOULD, HOWEVER, NEED A LITTLE TIME. THUS, FAHMY WAS CONFIDENT THAT MAHGHOUB WOULD POSE NO PROBLEM.

7. FORD VP WAYNE FREDERICKS IS MEETING HENRY FORD CONFIDENTIAL

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IN AUSTRALIA IN EARLY FEBRUARY AND HAS ASKED IF HE MIGHT TRANSIT CAIRO IN ORDER TO DISCUSS WITH ME STATUS OF FORD CASE. I HAVE SENT BACK WORD THAT SUCH VISIT MIGHT BE USEFUL AND HE IS EXPECTED AROUND JAN 27.

8. COMMENT: FAHMY SEEMS DETERMINED TO FULFILL GOE COMMITMENT TO PERMIT FORD AND VARIOUS OTHER BOYCOTTED AMERICAN FIRMS TO OPERATE HERE. WHETHER HE HAS MAGHGOUB IN LINE TO THE EXTENT THAT HE BELIEVES, REMAINS TO BE SEEN. IN ANY CASE, GOE-FORD TALKS TO DATE SEEM TO BE GOING SATISFACTORILY.

9. ZAIN SADAT'S ATTEMPT TO INVOLVE HIMSELF IS POTENTIALLY EMBARRASSING. I HAVE REASON

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TO BELIEVE THAT THE PRESIDENT KNOWS OF ZAIN'S OVERTURES,
ALTHOUGH I DO NOT KNOW IF HE HAS ACTUALLY ENDORSED
THEM. THIS COULD BE A TRICKY BUSINESS AND I WILL
HAVE TO LOOK FOR SOME DISCREET WAY TO MAKE EGYPTIANS
UNDERSTAND THAT ZAIN OUGHT TO BE TOLD TO LAY OFF.
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